GENDIS INC.

ANNUAL REPORT

FOR THE YEAR ENDED JANUARY 31, 2008

COMPANY PROFILE

The evolution of Gendis Inc. dates back to 1939 with the founding of General Distributors, an importing distribution firm. The company was incorporated as General Distributors of Canada Ltd. in November 1962, and was subsequently re-named Gendis Inc. in 1983.

Through most of its recent history the Company had been principally involved in the retail merchandising industry. On December 16, 2004, the Company sold its investment in Saan Stores Ltd. and consequently exited the retail general merchandising industry.

The present corporate organization is comprised of Gendis Inc. and its wholly owned subsidiaries 3440869 Canada Inc., an investment company operating as Gendis Financial, and Gendis Realty Inc. The Company's investment activities consist of constructing and managing an investment portfolio, primarily in the energy and energy transportation sectors. The Company's realty activities are focused on managing eight commercial retail properties and securing tenancy for its facility complex at 1370 Sony Place, Winnipeg, Manitoba.

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ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held Friday, June 6, 2008 at 11:00 a.m. CDT at the offices of Gendis Inc., 1370 Sony Place, Winnipeg, Manitoba

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

The fiscal year ended January 31, 2008 continued with a reduction in the value of two oil and gas investments, Alberta Clipper and Ember Resources. We expect to see a recovery in these two equities as they are both well managed and financed. I believe that the fiscal year 2009 for Gendis Inc. will be quite profitable in spite of the meltdown in asset value of some of the largest financial entities to date. This has included major financial institutions in the U.S.A. and Europe. Canada has not been immune to the effects of the sub-prime meltdown in the U.S.A. as the Canadian asset backed commercial paper market virtually collapsed, causing great investor concern, particularly in financial stocks here in Canada. We believe the Gendis Portfolio is well positioned despite the setbacks in the market. We are working toward diversifying the asset base as the current market has unveiled some intriguing value opportunities.

The potential good news for Gendis is that we are in negotiations with a prospective tenant for our largest building (over 200,000 square feet of the Sony Place Complex) for a primary term of 10 years. This would complete the rental of the complex of three buildings. The first building houses the Gendis Inc. Executive Offices with IMRIS leasing the remaining footage. The second building is leased to Manitoba Hydro and the third building leased to the prospective tenant. All three buildings would be fully leased.

During fiscal 2009 there are four real estate holdings that are up for sale and expectations are that these four properties will generate approximately 2 million dollars. This money, as well as the rental money of five remaining company properties will be added to funds available for investment by our subsidiary, Gendis Financial.

Gendis Financial, a 100% Gendis owned investment fund, will continue to expand its generation of profits by company investments in a select number of primarily Canadian corporations.

The largest investment in the Gendis Financial investment portfolio is Fort Chicago Energy Partners (TSX: FCE.UN). Fort Chicago's primary business interests include a 50% ownership interest in the Alliance Pipeline, and a 42.7% interest in Aux Sable, a Natural Gas Liquids extraction and fractionation facility. The Alliance Pipeline is a 3,000-kilometer pipeline that transports natural gas from regions in British Columbia and Alberta to delivery points near Chicago, Illinois. The pipeline was completed in the year 2000 at a cost of US$4.5 billion and is one of the most technologically advanced pipeline systems in the world. With a number of growth oriented projects already initiated including the Jordan Cove LNG terminal, Pacific Connector Pipeline and East Windsor Cogeneration Plant, Fort Chicago is making progress toward growing long-term distributable cash and diversifying their asset base to the benefit of all Fort Chicago Unit holders.

I believe that with proper management, Gendis will fulfill for investors the generous payouts of earnings as the various trusts of the past have done before the intervention of the government in taxing trusts by the year 2010.

Time is of the essence and Gendis will continue in its growth pattern over the many years to come.

We thank our Directors, Employees and Shareholders for their dedication and support and look forward to continued growth in fiscal 2009.

Yours Sincerely

Albert D. Cohen
Chairman, President & Chief Executive Officer
Gendis Inc.

April 10, 2008

GENDIS INC. Dated April 10, 2008

Management's Discussion & Analysis
For the 4th quarter and year ended January 31, 2008

NOTICE *– Presentation and Review of the Management's Discussion & Analysis*

This annual and fourth quarter Management's Discussion and Analysis should be read in conjunction with the audited annual financial statements for the year ended January 31, 2008. Financial information presented in this Management's Discussion and Analysis have been derived from financial statements denominated in Canadian dollars that are prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods of application as the audited annual financial statements at January 31, 2008. This Management's Discussion & Analysis has been reviewed and approved by the Board of Directors of Gendis Inc. ('the Company') on April 10, 2008.

NOTICE *– Forward-Looking Information*

This Management's Discussion and Analysis contains forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and anticipated future developments. Forward-looking statements should not be read as guarantees of future performance and will not necessarily be accurate indications of whether such performance or results will be achieved. There are risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the forward-looking statements. Factors that could cause such differences include general risks relating to the real estate and investments and the matters described under "Risk Management" in the notes to the annual financial statements for the year ended January 31, 2008.

NOTICE *– CSA Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings*

The Chief Executive Officer and the Chief Financial Officer have concluded, based on their evaluations, that the Corporation's disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information has been disclosed in the Corporation's annual filings for the year ended January 31, 2008.

The Chief Executive Officer and the Chief Financial Officer have concluded, based on their evaluations, that the Corporation's internal controls over financial reporting have been sufficiently designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's Generally Accepted Accounting Principles with the following identified weaknesses:

- *§ Effective internal control requires that the functions of authorizing transactions, recording transactions, control over the custody of assets and the account reconciliation process be conducted by different personnel. There are insufficient personnel to accomplish this requirement. The Corporation has a small staff complement of eight employees and accordingly it is impractical to achieve proper segregation of incompatible functions in all transaction cycles.*
- *§ The Corporation employs only one individual with the requisite financial skills and competence to determine the appropriate critical accounting estimates in accordance with Generally Accepted Accounting Principles for the compilation of the Corporation's financial statements. As a result, the calculations and conclusions are not independently verified by other personnel in two critical accounting processes, namely:*
  1. *The determination of the accounting and disclosure of the investment balances and income from flow-through entities investments and*
  2. *The determination of the accounting for the income tax provision, balances and related ancillary note disclosure.*

The limited staff complement requires that the Company's senior management actively participate in most aspects of each transaction cycle. Consequently there is an inherent risk of management overriding controls and procedures. The nature of an internal control exception from the lack of segregation of incompatible functions could be so pervasive that a material error could occur and not be detected on a timely basis in any transaction cycle. Also, the lack of independent verification of the two critical accounting processes noted above could result in a material error

in investment balances, income from flow-through entities investments, the income tax provision, tax balances and related ancillary note disclosure not being detected on a timely basis.
Potential solutions to these internal control exceptions would ordinarily involve hiring additional staff or engaging independent qualified accountants on a consulting basis. At this time, the Board of Directors has determined that these remedies are not cost effective in relation to the risk of material misstatement.
The Chairman, President & Chief Executive Officer and the Vice President, Finance & Comptroller have filed certificates in SEDAR as required under Multilateral Instrument 52-109 with guidance on CSA Staff Notice 52-316 regarding assertions on material facts, assertions on the fair presentation of the Company's financial statements, acknowledgements on the design and effectiveness of disclosure controls and procedures, and acknowledgements on the design of internal control over financial reporting.
The Company's Independent Auditors have reported to shareholders, based on Canadian Generally Accepted Auditing Standards, their opinion on the fair presentation of the Company's financial statements in accordance with Canadian Generally Accepted Accounting Principles.

Additional information and the Annual Information Form

The Company has adopted an Investment Policy that is included in its Annual Information Form. Additional information about Gendis Inc. and the Company's Annual Information Form are available on SEDAR at www.sedar.com.

As used herein "Gendis" or the "Company" or the "Corporation" refers to Gendis Inc., "Saan" refers to Saan Stores Ltd., a former subsidiary of Gendis Inc. The Company's property at 1370 Sony Place in Winnipeg, Manitoba is referred to as the "Sony Place facility." "boe/d" is barrels of oil equivalents per day. "mmcf/d" is million cubic feet per day. "NGL" is natural gas liquids. The following, which are investments of Gendis Inc., are referenced as follows - "Alberta Clipper" refers to Alberta Clipper Energy Inc., "Ember" refers to Ember Resources Inc., "FNX" refers to FNX Mining Company Inc., "Fort Chicago" refers to Fort Chicago Energy Partners L.P.; "INV" refers to International Nickel Ventures Inc., "Opti" refers to Opti Canada Inc., "OSUM" refers to OSUM Oil Sands Corp., "Pioneer" refers to Pioneer Natural Resources Company, "Scotiabank" refers to The Bank of Nova Scotia, "Starbucks" refers to Starbucks Corporation; "Thunder" refers to Thunder Energy Trust.

Selected Annual Information for the Last Three Years

(in thousands of dollars - except per share)	2008	2007	2006
Revenue	3,162	2,268	5,351
Earnings (loss) for the year	(5,089)	(33,172)	4,706
Earnings (loss) per share – basic and diluted	(0.35)	(2.18)	0.31
Total assets	52,836	50,719	78,218
Long-term liabilities	—	—	—
Dividends per share	—	—	—

The variation between years in revenue and earnings are noted as follows:

The increase in revenue from fiscal 2007 to 2008 is primarily due to $0.7-million from increased tenancy in the Sony Place Facility, $0.8-million of reduced share of loss of Thunder Energy offset by $0.1-million from declines in tenancies that provide percentage rentals and $0.5-million of reduced share of earnings of Fort Chicago.

The decrease in the loss from fiscal 2007 to 2008 is primarily due to the increase in revenue, the write-off of the deposit on income tax assessment of $28.4-million recorded in fiscal 2007 with no equivalent in fiscal 2008, the impairment charge for investments of $3.3-million recorded in fiscal 2007 with no equivalent in fiscal 2008, the loss on sale of a note receivable of $2.2-million, a reduction to the gains on sale of investments of $0.3-million, an increase in interest expense of $0.2-million from increased borrowing and increased interest rates, an increase in future tax recovery of $2.2-million from the reduction in the valuation allowance and the recording of the decline in the fair value of investments of $3.8-million for fiscal 2008. New accounting standards for financial instruments

require that the Company record the change in the fair value of its investments for fiscal 2008. The change in the fair value of investments is required to be recorded on a prospective basis and accordingly was not applicable for the fiscal years ended 2007 and 2006.

The decrease in revenue from fiscal 2006 to 2007 is primarily due to a dilution gain of $1.4-million in fiscal 2006 from Fort Chicago with no equivalent in fiscal 2007, offset by $1.1-million of reduced share of earnings of Fort Chicago and $0.8-million of reduced share of earnings of Thunder Energy.

The change from Earnings in fiscal 2006 to a loss in fiscal 2007 is primarily due to the decrease in revenue, the write-off of the deposit on income tax assessment of $28.4-million, an impairment charge for investments of $3.3-million, a reduction to the gains on sale of investments of $0.5-million, an increase in interest expense of $0.6-million from increased borrowing, a decrease in legal costs of $0.3-million and an increase in the future tax recovery of $2.2-million from the change in control of the corporation in fiscal 2006 net of an allowance for the expected realization of tax loss carryforwards.

Summary of Quarterly Results

The following is a summary of information for the eight most recently completed quarters:

Quarters Ended (in thousands of dollars except per share)	Total Revenue	Net Earnings (Loss)	Net Earnings (Loss) per Share Basic and Diluted
January 31, 2008	938	(292)	(0.02)
January 31, 2007	(104)	(32,882)	(2.16)
October31, 2007	873	(3,294)	(0.23)
October 31, 2006	1,110	192	0.01
July 31, 2007	970	(722)	(0.05)
July 31, 2006	768	(263)	(0.02)
April 30, 2007	381	(781)	(0.05)
April 30, 2006	494	(219)	(0.01)

The variation between quarters in revenue and earnings are noted as follows:

The inter-quarter volatility of revenue is primarily from significant volatility in the share of earnings of Thunder as that entity has recorded significant ceiling test valuation write-downs on its gas resource properties in the 4th quarter last year and the volatility in the share of earnings of Fort Chicago. In addition to revenue volatility, the inter-quarter volatility of earnings is due to the write-off of deposit on income tax assessment, the charge for the impairment of investments recorded in the 4th quarter last year with no equivalent in fiscal 2008 and the net change in the market value of investments due to stock market volatility this year.

Corporate operations

In the 4th quarter, revenue from investment income increased $1.0-million over the comparable prior year quarter, primarily from the reduced share of loss of Thunder of $1.3-million offset by decreased share of earnings of Fort Chicago of $0.3-million.

For the year, revenue from investment income increased by $0.3-million over the comparable prior year, primarily from the reduced share of loss of Thunder of $0.8-million offset by decreased share of earnings of Fort Chicago of $0.5-million.

In the 4th quarter of the year, Corporate expenses increased $0.1-million over the comparable quarter last year, an increase of $0.1-million for the year. The increase is primarily due to legal costs associated with the ongoing dispute with the Canada Revenue Agency on the income tax re-assessment.

The following table presents purchase and sales activity of the investment portfolio for the 4th quarter and for the year:

Security ($,000's)	4th quarter purchases	4th quarter sales	Year purchases	Year sales
Alberta Clipper	—	—	291	—
FNX	930	—	2,188	1,011
Fort Chicago	204	—	204	569
OSUM - shares	—	—	3,245	—
OSUM - debenture	—	—	—	1,000
Opti	371	—	594	325
Pioneer	—	—	—	980
Royal Bank	244	—	457	325
Scotiabank	243	—	750	—
Starbucks	306	—	643	—
Thunder	—	—	—	2,000
Other investments	99	—	916	432
Total	2,397	—	9,288	6,642

In the table above, the sale of Thunder represents the proceeds from its plan of arrangement. In the 2nd quarter, Gendis converted its investment in a $1-million debenture of OSUM into 909,091 shares of OSUM. In the 2nd quarter, there were $80,000 of sales and purchases that did not involve cash that were a consequence of take-over bids. Subsequent to year-end, at April 10, 2008, investments were purchased at a cost of $1.0-million and investments were sold for proceeds of $0.5-million.

The following table presents the market value change and the ending market value of the investment portfolio of exchange-traded securities for the 4th quarter and the year:

Security ($,000's)	Market value change 4th quarter	Market value change Year	Fair value Jan. 31, 2008
Alberta Clipper	49	(1,991)	1,540
Ember	(235)	(856)	941
FNX	(1,056)	136	2,920
Fort Chicago	203	(928)	24,239
INV	(20)	(244)	435
Opti	(267)	(392)	1,722
Royal Bank	(45)	(72)	760
Scotiabank	(55)	(27)	723
Starbucks	(84)	(169)	474
Other investments	(43)	(49)	274
Total	(1,553)	(4,592)	34,028

Subsequent to year-end, up to April 10, 2008, the Corporation experienced an appreciation in the value of its investments of $1.4-million. At April 10, 2008, the Company's exchange-traded investments have a fair value of approximately $36.1-million.

The Gendis investment portfolio is invested predominantly in exchanged-traded securities whose values may fluctuate over any given time period due to company specific fundamentals, prevailing economic and market conditions, or political and regulatory environment.

The Company's holdings in flow-through entities are to provide a regular source of investment income and cash from regular monthly distributions. The Company's investment in Fort Chicago is a very significant investment. The investment represents 46% of the Company's total assets, 47% of its revenue and provides 60% of the cash flow to cover cash expenses (i.e. excluding amortization) and interest. Summarized financial information on Fort Chicago is as follows:

in thousands of dollars	Dec. 31, 2007	Dec. 31, 2006
Total assets	2,871,364	2,718,922
Total liabilities	2,115,911	1,900,426
Revenue	589,223	563,108
Net earnings	86,157	80,954
Other comprehensive income (loss)	(31,200)	20,679
Distributions paid	122,886	117,123
Gendis' proportionate interest	1.8%	1.8%

Fort Chicago generated distributable cash of $177.4-million or $1.35 per Unit for the year, compared to distributable cash of $151.5-million or $1.16 per Unit last year. The increase is attributable to a number of factors including strong levels of distributable cash generated by Aux Sable and higher than expected distributable cash generated by the newly acquired Countryside Power assets in August 2007. The strong contribution from Aux Sable and accretive Countryside acquisition were tempered by higher corporate costs and a stronger Canadian dollar. Fort Chicago's payout ratio for the year was 69.8%, down from a payout ratio of 80.2% last year. Given continued robust NGL margins, the accretive contribution from Countryside Power, and stable earnings from Alliance, Fort Chicago anticipates generating distributable cash in the range of $1.10 to $1.45 per Unit next year resulting in an anticipated payout ratio of 69.0% to 91.0% for next year. This represents a $0.15 increase to the upper end of the range for distributable cash as previously indicated by Fort Chicago management. Fort Chicago has an estimated $2.0-billion in capital projects identified over the coming years. Projects such as the Jordan Cove LNG Terminal, Pacific Connector Pipeline, and East Windsor Cogeneration Plant will contribute to Fort Chicago's long-term distributable cash growth and diversify Fort Chicago's asset base to the benefit of Fort Chicago Unit holders.

OSUM has made tremendous progress since Gendis made its initial investment in August 2006. OSUM has accumulated a resource base of 1.52-billion recoverable barrels of oil as indicated by GLJ Petroleum Consultants ('GLJ'). OSUM management believes that through further delineation, they can achieve a recoverable resource of 2.0-billion barrels of oil. This large resource base will support a number of commercial projects with total production of 135,000 - 195,000 boe/d net to OSUM. Importantly, OSUM is the third largest resource holder in the Saleski carbonates, after Shell and Husky Energy. The Saleski carbonates represent 26.4% of Alberta's bitumen resource as indicated by the Alberta Research Council and are at the early stages of development. OSUM, through joint venture partner Laricina Energy, has filed a pilot application with expected production scheduled to begin in 2010. OSUM holds a 40% interest in this joint venture while Laricina is the operator and represents the remaining 60% interest.

OSUM was successful in acquiring 18,500 acres of land in the Cold Lake area in the latter half of the year. GLJ has assigned a resource of 305-million barrels of recoverable oil, with potential productive capacity of 35,000 boe/d for over 20 years. This acquisition is crucial to OSUM because as OSUM management have indicated, their Cold Lake lands are the quickest path to a reserve booking and a commercial project. In other words, OSUM can move this resource straight to a commercial application rather than filing for a pilot project that would allow OSUM to book

reserves much more quickly than would otherwise be the case. OSUM is in the process of assembling a management group to move this project forward and has announced several key hires in recent weeks.

As indicated in previous quarters this year, OSUM closed a financing for gross proceeds of approximately \$56-million in the 2nd quarter of Gendis' fiscal year this year comprised of \$41-million raised by issuing common shares at \$9.00 and \$15-million raised by issuing flow-through shares at \$10.35. Gendis invested \$2.2-million in OSUM in this round of financing bringing Gendis' total investment to \$4.8-million or \$2.48 per OSUM share. Subsequent to the closing of this equity offering, Gendis holds 4.3% of OSUM's basic shares outstanding, 3.7% on a fully diluted basis. Based on this recent round of financing, at \$9.00 per share, Gendis would have an unrealized gain of \$12.7-million or \$0.89 per Gendis share in its investment in OSUM, before income taxes. OSUM is a private company and Gendis can only use the recent \$9.00 financing share price as a proxy for value as there is currently no public market for OSUM shares.

FNX continues to produce record operating and financial results. FNX drifted into high-grade copper-nickel veins at both the Levack Footwall Deposit and the Podolsky 2000 Deposit. FNX has indicated an aggressive \$237-million capital expenditure program for next year that will be geared towards ramping up production from the Levack, McCreedy West and Podolsky deposits. FNX has provided next year production guidance of 1.45-million tons that represents a 57% increase from mine output this year. Overall, FNX continues to benefit from robust base metals prices. Despite more challenging year over year comps due to lower metals prices, FNX is in a strong position to meaningfully grow cash flows over the coming years due to their growing production base. Importantly, FNX acquired Dynatec Mining Services from Sherritt International Corp. in October 2007. This acquisition will support FNX's Sudbury operations as well as providing FNX a platform to lever into other projects of interest. Despite the strong operational and corporate activities, FNX shares pulled back in the 4th quarter due to concerns related to the U.S. economy and the impact this would have for base metals demand globally. Nickel prices in particular have remained robust through this period and FNX continues to benefit in the form of strong operating margins.

Opti has made tremendous progress towards starting up their Long Lake Phase I project over the course of this year. As management have indicated, construction on the SAGD operations are now complete with all 32 well pairs injecting steam into the reservoir. Opti continues to forecast a mid-2008 start-up for the upgrader. Construction of the upgrader will be fully completed by the end of the 1st quarter next year. Opti will ramp up to full production of 72,000 boe/d net to Opti over the 12 – 24 months following start-up of the upgrader. Opti was successful in raising over \$400-million in an equity financing in 3rd quarter this year which Opti will employ in the final phases of Long Lake Phase 1, and development of future phases. While there will be challenges associated with starting and ramping up to full volumes, patient Opti investors will be rewarded over the coming years as the value of the OrCrude process is fully recognized through higher than industry average netbacks and lower operating costs. Opti provides good visibility for future phases of growth and is currently in the early stages of developing Long Lake Phase II.

As indicated in the past, the Alberta Government's decision to revise the royalty framework for Oil & Gas companies in Alberta has had a mixed effect on individual companies within the Gendis portfolio. However, given the proposed framework, Alberta Clipper will be penalized more so than our oil sands holdings such as OSUM and Opti, or Ember whose focus is on Coal Bed Methane. In addition to this, the Tax Fairness Plan announced by the Federal Government in October 2006 has had an impact on valuations across the Canadian Oil & Gas universe. Consequently, Alberta Clipper's share price has been challenged over the year and traded to all time lows over the course of this year. Despite these headwinds, Alberta Clipper had a very successful year. As Alberta Clipper management have pointed out, the company has achieved a number of successes year over year including a 31% increase in cash flow per share, a 21% increase in production per share, a 17% increase in reserve growth per share, and a 536% increase in reserve replacement on a proved plus probable basis. Alberta Clipper achieved a 79% commercial success rate this year resulting in 10.4 net wells brought on stream. Alberta Clipper has outlined a 6 well drilling program for the first 6 months of 2008 with 11 re-completions. Alberta Clipper is actively seeking further clarification from the Alberta Government with respect to the new royalty framework. Management has stated that the company has the potential to expand the drilling program to a total of 25 wells (12.8 net) for the year. Given Alberta Clipper's large land base and an attractive drilling inventory, Alberta Clipper continues to be positioned for attractive growth in production and cash flows.

Ember was affected by relatively unattractive natural gas prices for the majority of this year and this has been reflected in Ember's share price. Despite this, Ember enjoyed improved results in the year as they generated a 13% year over year increase cash flow per share. Average production for the year increased 25% and currently stands at 8.5 mmcf/d (1,417 boe/d). Production for next year is expected to average 9.0 mmcf/d (1,500 boe/d) with an exit rate of 10.0 mmcf/d (1,667 boe/d). Ember has outlined a capital budget of $15-million for next year which will focus on drilling in the Horse Shoe Canyon with an estimated 30 – 35 wells planned. To date, Ember has drilled 18 wells (8.8 net) in the 1st quarter of Gendis' fiscal 2009. With one well shut in, Ember has brought 17 wells (8.3 net) on production to date. Given stronger natural gas prices and lower operating costs, Ember is in a position to quickly add drilling locations to its planned development program for the year. Ember continues to hold an interest in the Mannville area and continues to monitor the economic viability of these assets given the technological challenges to producing these coals. Ember is expected to continue to focus on low risk development of the Horse Shoe Canyon assets while judiciously working towards commercialization of their Mannville play.

In the 3rd quarter of the year, the likelihood of collection of its $2.0-million note receivable with Saan Stores Ltd. and of $0.3-million of accrued interest was assessed to be remote and accordingly, the Company has provided a full allowance for the doubtful collection as a provision for loss. In the 4th quarter of the year the Company sold the note receivable and accrued interest for $100,000.

Realty operations

There was negligible change in Realty revenue in the 4th quarter this year with the 4th quarter last year. Revenue increased $0.6-million year over year, $0.7-million was primarily from new tenancies in the 2nd and 4th quarter of last year in its Sony Place facility, offset by $0.1-million from declines in tenancies that provide percentage rentals. The Company owns six real estate properties that are solely leased as retail outlets to the Company's former Retail subsidiary, Saan, and two real estate properties where Saan is a tenant with other commercial tenants. As a consequence of Saan's creditor protection proceedings, Saan has repudiated two of the leases in the 1st quarter of fiscal 2009. The foregone revenue is less than $0.1-million. The Company intends to sell both properties in fiscal 2009.

The Company also owns a 379,000 sq. ft. building in Winnipeg, Manitoba, the Sony Place facility, that was leased to the Company's former Retail subsidiary, Saan, for its distribution/warehouse operation. In July 2006, 20% of the Sony Place facility was leased with another 20% leased in December 2006. The remaining 60% of space could result in approximately $1.5-million of earnings and cash flow annually if leased at present commercial rates. The Company has received numerous expressions of interest for either lease of the remaining space in the Sony Place facility or the sale of the Sony Place facility. Alterations to the facility complex to accommodate a prospective tenant's requirements could approximate $1.7-million.

There was negligible change in Realty expenses in the 4th quarter this year with the 4th quarter last year. Realty expenses decreased $0.1-million year over year, primarily from reduced operating costs.

Interest expense

Interest expense was incurred for borrowings on credit facilities with its banker, from a margin account with its investment broker and a revolving loan from related party. Access to the bank credit facility may be by direct loan or by banker's acceptance. The interest rate on direct loans is the prime rate as established from time to time by the bank. The acceptance fee on banker's acceptances is 1.05% while the interest rate on a banker's acceptance is determined by the prevailing market conditions, typically 170 basis points below bank prime. The interest rate on the broker margin account is approximately bank prime rate plus 1.0%. The interest rate on the related party revolving loan is bank prime. Interest expense for the 4th quarter increased $0.1-million from last year, to $0.2-million for the full year. Approximately one half of the increase for the 4th quarter and for the year was from increased interest rates with the remainder of the increase from an increase in average borrowings for the respective periods. The average borrowing for the 4th quarter was $16.3-million, an increase of $1.6-million from the 4th quarter last year. The average borrowing for the year was $15.0-million, an increase of $2.2-million from last year.

Income taxes

The income tax provision for the 4th quarter primarily represents a $2.2-million increase to the future tax recovery from a re-evaluation of the expected realization of non-capital loss carry forwards net of $0.1-million of foreign withholding taxes paid on Gendis' share of foreign investment income earned by Fort Chicago and distributed to Gendis. Last year, the tax provision included $28.4-million from the write-off of the deposit on an income tax assessment. For the year, the income tax provision primarily represents a $2.2-million increase to the future tax recovery from a re-evaluation of the expected realization of non-capital loss carry forwards net of $0.2-million of foreign withholding taxes paid on Gendis' share of foreign investment income earned by Fort Chicago and distributed to Gendis.

The Company is in dispute with the Canada Revenue Agency concerning income tax on the sale of shares of an investment in fiscal 1996, which was assessed in fiscal 2002. The Corporation paid the entire amount of the income taxes and interest in the amount of $28.4-million in that year. The Corporation has filed a Notice of Objection with the Canada Revenue Agency. Due to uncertainty of the outcome, the Deposit on Income Tax Assessment of $28.4-million was written-off during the year ended January 31, 2007. On October 3, 2007, the Canada Revenue Agency confirmed these re-assessments after the Supreme Court of Canada refused to grant the Corporation's Leave to Appeal on jurisdictional grounds. The merits of the Corporation's position has been evaluated in consultation with legal counsel and the Corporation will continue to pursue the re-assessments on substantive grounds. On December 27, 2007, the Corporation filed a Notice of Appeal in Manitoba Court of Queen's Bench to void the re-assessments. The Minister of National Revenue for Canada filed a Reply to the Notice of Appeal on February 22, 2008. If the Corporation is successful in pursuit of this matter, this amount plus additional interest will be refunded and would be recorded in the year of settlement.

The Company is deemed to be a "Subject Corporation" for purposes of the Income Tax Act. Accordingly, in the 4th quarter, the Company incurred Refundable Part IV tax on its dividend income of $78,000 compared to $197,000 last year. This tax is recorded as a direct charge to Retained Earnings and is recoverable upon the payment of dividends by the Company to its shareholders.

Future Tax Asset

At January 31, 2008, there is a potential of $2.9-million of future tax assets that have not been recognized, as the Company is not reasonably assured of recovery as there is no stable earnings history from real estate operations or investment trading activities to provide reasonable assurance of sufficient taxable earnings in the future. The recognition of a Future Tax Asset associated with tax loss carryforwards is contingent upon a resumption of earnings from the real estate operations from full occupancy of its properties and from earnings on the generation of gains on investment sales in the future. Volatility in the market price of securities affects the calculation of the unrealized gain that in turn affects the determination of the Future Tax Asset to be recognized.

Capital Requirements and Liquidity

At April 10, 2008, the Corporate segment has fully utilized all of its $15-million credit facility with its banker to fund investment purchases. The credit facility was renewed on expiry in the 2nd quarter. The credit facility expires on July 31, 2008. The Company anticipates that the credit facility would be renewed on an annual basis.

The Company has arranged for borrowing by way of a brokerage margin account with its broker, RBC Dominion Securities that provides for a borrowing capacity of 50% of the market value of securities with a bid price in excess of $5 per share, 35% of securities with a bid price between $3 and $5 and 70% for securities that have an option market. At April 10, 2008, the borrowing amount under this credit facility was $3.9-million with an additional available borrowing capacity of $1.7-million.

The Company has arranged for borrowing from a related party to the Chief Executive Officer of the Company, $1.0-million on a revolving unsecured basis. At April 10, 2008, the borrowing amount under this credit facility was $1.0-million. The purpose of this credit facility is to provide liquidity to the Company in periods of significant

investment market volatility in order to avoid selling investments at depressed prices to meet minimum collateral requirements for the bank and broker credit facilities.

As a gauge of liquidity risk, a decline of 10% in the price of all of the Company's securities excluding Fort Chicago would result in a reduction in borrowing availability of $1.1-million. A decline of 10% in the price of Fort Chicago would result in a reduction in borrowing availability of $2.3-million.

At April 10, 2008, the Company had $0.2-million in cash, $36.1-million, at a quoted bid price of exchange-traded marketable investments and $4.8-million at cost in an equity investment as a private placement in a private company that operates in the energy sector.

Cash flow from Realty operations was $0.2-million for the 4th quarter, $0.5-million for the year from increased revenue from two tenancies in the Sony Place facility that were leased in the 2nd and 4th quarter of last year. The Corporation is in negotiations to lease the vacant space in its facility complex for occupancy mid year in the year ending January 31, 2009. The prospective lease could be for a ten-year term with renewal options. Cash flow from rent and recoverable costs could approximate $1.5-million annually in the first term. Subsequent to the year ended January 31, 2008, the Corporation committed to make alterations to the facility complex at an approximate cost of $1.9-million.

Cash flow from Corporate operations and investment distributions were negative $0.2-million for the 4th quarter and for the year. Additionally, the Company borrowed $2.4-million in the 4th quarter and $4.0-million for the year to finance net additions to its investment portfolio of $2.4-million in the 4th quarter and $2.6-million for the year; purchase its own shares for cancellation under Normal Course Issuer bids for $0.5-million in the 4th quarter and $1.5-million for the year and paid $0.2-million of refundable dividend taxes for the year.

The Company provided notice that it intends to purchase up to 714,434 of its Common shares under a Normal Course Issuer bid commencing January 14, 2008 and terminating January 13, 2009. The maximum cash requirement, should the Company decide to purchase all of the Common shares referred to in the Normal Course Issuer Bid, could be approximately $1.5-million. Funding of this bid would be by drawing on its cash resources or by the sale of investments. However, the Company is not obligated to purchase any shares for cancellation. Subsequent to year-end, up to April 10, 2008, 32,300 shares were purchased for cancellation at a cost of $63,000 under this Normal Course Issuer bid.

Contractual Obligations

At January 31, 2008, contractual obligations of the continuing operations are summarized as follows:

		Payments due by period ($000's)			
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Sub-leases (1)	308	154	154	—	—
Operating leases	105	31	68	6	—
Other obligations	94	7	21	14	52
Total obligations	507	192	243	20	52

(1) The Company's subsidiary, Gendis Realty Inc. ('GRI'), has one agreement to sub-lease premises to Saan, the Company's former subsidiary. GRI retains ultimate responsibility to the landlord for the payment of amounts under the lease agreements should the sub-lessee fail to pay. Included in the terms of the agreement for the sale of Saan, GRI has conceded the right for Saan to renew the leases at each expiry term, subject to an acceptable indemnity to GRI. The Company considers this lease to have an intrinsic value, due to the location, low rental rates and lengthy renewal options, which GRI may be able to realize by securing another tenant should Saan decide to exit the location.

Subsequent to the year ended January 31, 2008, up to April 10, 2008, the Corporation committed to make alterations to the facility complex at an approximate cost of $1.9-million.

Outstanding Share Data

At April 10, 2008 there were 14,232,686 Common shares outstanding with a stated capital of $14,960,997.

Critical Accounting Estimates

Income taxes are determined using the asset and liability method of accounting, which recognizes future tax assets and liabilities based on the differences between the accounting and the tax basis of assets and liabilities. Future taxes are measured at the income tax rates expected to apply when the asset is realized or when the liability is settled. Assumptions are required to determine the provision for income taxes, including the resolution of tax disputes. The Company currently has significant differences resulting from non-capital loss carry forwards that have the potential to reduce taxable income in the future. A future tax asset has been recognized by the Company as Management has determined that it is more likely than not that a portion of the non-capital loss carry forwards will be realized. Management exercises judgment in considering future earnings projections. Accordingly, the Company would recognize future tax assets as taxable earnings are achieved in the future.

The carrying value of long-lived assets is assessed for impairment when the undiscounted future cash flows from its use and eventual dispositions are not sufficient to recover the asset's carrying value. An impairment loss is recognized based on the excess of the carrying amount of the real estate asset over its fair value. The determination of anticipated cash flows is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Fair value is determined based on the greater of applying a capitalization rate to the expected cash flow from the property and an expected sale value, net of selling costs of a vacant property. The capitalization rate selected would be typical for properties of a similar type and location. Estimates of sales value are obtained from knowledgeable personnel in the real estate industry.

Determination of the Company's pension asset and expense are dependent on the assumptions used in calculating these amounts. The assumptions are determined by Management and are reviewed by Management annually and by its actuary tri-annually. The last tri-annual actuarial valuation was conducted as at December 31, 2006. These assumptions include the discount rate, the rate of compensation increase and the expected long-term rate of return on pension plan assets. Actuarial assumptions for mortality and employee turnover rates are based on standard tables, adjusted as necessary to reflect the Company's experience in prior years and reflect actual provisions of the pension plan. Expected trends in rates used are considered in determining the assumptions. Differences between actual experience and the assumptions will result in increases or decreases in the Company's pension expense in future years.

Recently Issued Accounting Pronouncements

The Canadian Institute of Chartered Accountants pronouncements on Financial Instruments became effective for the Company and were adopted commencing the 1st quarter ended April 30, 2007. The principal effect of the application of the pronouncements is that the Company presents its investments in exchange-traded equity securities on the balance sheet at fair value, which is essentially the market value determined as the quoted bid price for investments that are traded on stock exchange at January 31, 2008. The increase from cost to fair value is $7.1-million. Investments for which there is not a reliably determinable market value, such as investments in private companies, are carried at cost.

Certain of the Company's equity investments have been designated as "Available-for-Sale." These investments are typically flow-through entities such as Fort Chicago and Thunder where the principal objective in holding these investments is for investment earnings and cash flow and investments in private companies. The adoption of the new standard for available-for-sale investments resulted in an increase to beginning Accumulated Other Comprehensive Income of $3.0-million. Subsequent changes in market value of these investments are presented in Other Comprehensive Income for the period. Additionally, gains or losses on the subsequent sales of these

investments are recorded in the Statement of Operations for the period with an offset to Other Comprehensive Income for the period.

Certain of the Company's equity investments have been designated as "Held-for-Trading." These investments are exchange-traded securities where the principal objective is to generate gains from market price appreciation. The adoption of the new standard for held-for-trading investments resulted in an increase to beginning Retained Earnings of $1.4-million. Subsequent changes in market value of these investments are presented in the Statement of Operations for the period.

In conjunction with the adoption of the new standards for financial instruments, the Company has changed its accounting policy for flow-through investments. Cash distributions are now recorded as investment income. Previously, investment income and the carrying value of the investment in flow-through entities were impacted by the Corporation's share of earnings of the investment, cash distributions and equity transactions. The application of the new accounting policy resulted in an increase to beginning Retained Earnings of $1.3-million.

Mandatory new standards issued by The Canadian Institute of Chartered Accountants in Handbook Section 3862, "Financial Instruments – Disclosures " and Section 3863 become effective the 1st quarter ending April 30, 2008. "Financial Instruments – Presentation". These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation" by revising and enhancing disclosure requirements and carrying forward presentation requirements unchanged. There is increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed. Effective January 31, 2008, the Company adopted these standards early and provided relevant disclosure in the year-end financial statements.

Mandatory new standards issued by The Canadian Institute of Chartered Accountants in Handbook Section 1535, "Capital Disclosures" which specifies the disclosure of the objectives, policies and processes for managing capital; quantitative information about what is regarded as capital; whether there are compliance requirements that have been met; and if compliance has not been met, what the consequences are, become effective the 1st quarter ending April 30, 2008. Effective January 31, 2008, the Company adopted these standards early and provided relevant disclosure in the year-end financial statements.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Corporation is responsible for the consolidated financial statements and all information contained in the Annual Report. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (GAAP). Significant accounting policies are described in Note 2 to the consolidated financial statements. Management exercised its best judgment in selecting appropriate accounting policies and providing estimates as part of the assurance that transactions are part of the reporting process. Management maintains a system of accounting and administrative controls that provide reasonable assurance that transactions are appropriately authorized, assets safeguarded and financial records maintained, in order to provide relevant, reliable and timely financial information. Management considers financial information presented in the Annual Report to be consistent with the consolidated financial statements.

The Company's Board of Directors has appointed an Audit Committee consisting of three directors who are not executive officers or employees of the Corporation. The Board of Directors has delegated responsibility for the oversight of the financial reporting process to the Audit Committee. The Audit Committee meets periodically with management and the independent auditors to review the performance of their respective responsibilities and to discuss accounting policy and financial reporting matters. The Audit Committee assesses the audit plan of the independent auditors, the audit report and the results of the audit findings. The Audit Committee provides unrestricted access to the independent auditors to discuss audit and related findings on the integrity of the Corporation's financial reporting process, and the adequacy of the system of accounting and administrative controls. The Audit Committee provides a recommendation to the Board of Directors on the approval of the annual consolidated financial statements, annual report and the re-appointment of the independent auditors. The Audit Committee also reviews the annual Management's Discussion & Analysis, the interim consolidated financial statements and interim Management's Discussion & Analysis.

ALBERT D. COHEN
President, Chief Executive Officer
& Chairman of the Board of Directors

ERNEST B. REINFORT
Vice-President, Finance
& Comptroller

April 10, 2008

AUDITORS' REPORT TO THE SHAREHOLDERS OF GENDIS INC.

We have audited the consolidated balance sheets of Gendis Inc. as at January 31, 2008 and January 31, 2007 and the consolidated statements of operations, retained earnings, comprehensive income (loss), accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at January 31, 2008 and January 31, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

Winnipeg, Manitoba
April 10, 2008

GENDIS INC.
CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31, 2008 AND JANUARY 31, 2007
(thousands of dollars)

	2008 $	2007 $
ASSETS		
CURRENT ASSETS		
Cash	203	195
Receivables	259	528
Prepaid expenses	270	232
	732	955
INVESTMENTS (note 3)		
at fair value	34,028	—
at carrying value	4,821	34,355
NOTE RECEIVABLE (note 4)	—	2,203
PROPERTY AND EQUIPMENT (note 5)	10,658	10,909
FUTURE TAX ASSET (note 9)	2,597	2,297
	52,836	50,719
LIABILITIES		
CURRENT LIABILITIES		
Credit facilities (note 6)	18,778	14,798
Accounts payable and accrued liabilities	970	1,013
Income and capital taxes payable	67	212
	19,815	16,023
COMMITMENTS AND CONTINGENCIES (note 13)		
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	14,995	15,736
Accumulated other comprehensive income	2,217	—
Retained earnings	15,809	18,960
	18,026	18,960
	33,021	34,696
	52,836	50,719

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

ALBERT D. COHEN
Director

JAMES E. COHEN
Director

GENDIS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JANUARY 31, 2008 AND JANUARY 31, 2007
(thousands of dollars, except per share data)

	2008 $	2007 $
REVENUE		
Investment (note 3)	1,575	1,288
Real estate operating lease rents	1,587	980
	3,162	2,268
EXPENSES		
Property and administrative expenses	2,770	2,772
Amortization of property and equipment	349	341
Interest and other finance expense	945	720
	4,064	3,833
LOSS BEFORE THE UNDERNOTED	(902)	(1,565)
Gain (loss) on sale of investments		
Held for trading	703	764
Available for sale	(283)	—
Provision for loss on investments	—	(3,300)
Change in fair value of investments held-for-trading	(3,801)	—
Loss on sale of note receivable (note 4)	(2,235)	—
Gain (loss) on sale of property and equipment	(9)	1
LOSS BEFORE INCOME TAXES	(6,527)	(4,100)
INCOME TAX PROVISION (RECOVERY) (note 9)		
Current tax	199	161
Future tax	(1,637)	550
Write-off of deposit on income tax assessment	—	28,361
Income tax provision (recovery)	(1,438)	29,072
NET LOSS FOR THE YEAR	(5,089)	(33,172)
NET LOSS PER SHARE	($0.35)	($2.18)

GENDIS INC.
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEARS ENDED JANUARY 31, 2008 AND JANUARY 31, 2007
(thousands of dollars)

	2008 $	2007 $
Balance - beginning of period	18,960	52,761
Restatement for financial instruments:		
Adjustment to fair value for investments held-for-trading, net of future income taxes of $559	1,484	—
Adjustment related to the change in accounting policy for flow-through investments	1,296	—
Balance – restated	21,740	52,761
Net loss for the year	(5,089)	(33,172)
Refundable dividend taxes	(78)	(197)
Purchase and cancellation of share capital	(764)	(432)
Balance - end of period	15,809	18,960

GENDIS INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED JANUARY 31, 2008 AND JANUARY 31, 2007
(thousands of dollars)

	2008 $	2007 $
OTHER COMPREHENSIVE LOSS		
Change in the fair value of investments	(791)	—
Loss on sale of investments	(283)	—
Loss on sale of investments transferred to net loss for the year	283	—
Other comprehensive loss for the year	(791)	—
Net loss for the year	(5,089)	(33,172)
COMPREHENSIVE LOSS FOR THE YEAR	(5,880)	(33,172)

GENDIS INC.
CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED JANUARY 31, 2008 AND JANUARY 31, 2007
(thousands of dollars)

	2008 $	2007 $
Balance - beginning of period	—	—
Restatement for financial instruments:		
Adjustment to fair value for investments available-for-sale, net of future income taxes of $778	3,008	—
Balance – restated	3,008	—
Other comprehensive loss for the year	(791)	—
Balance - end of period	2,217	—

GENDIS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2008 AND JANUARY 31, 2007
(thousands of dollars)

	2008 $	2007 $
CHANGES IN CASH POSITION		
By operations		
Net loss for the year	(5,089)	(33,172)
Items not affecting cash:		
Amortization of property and equipment	349	341
Gain (loss) on sale of property and equipment	9	(1)
Change in fair value of investments held-for-trading	3,801	—
Gain on sale of investments	(420)	(764)
Provision for loss on investments	—	3,300
Loss on sale of note receivable	2,235	—
Write-off of deposit on income tax assessment	—	28,361
Future income taxes	(1,637)	550
Cash flow from earnings	(752)	(1,385)
Net increase (decrease) from working capital	49	(427)
	(703)	(1,812)
By investing activities		
Investments acquired	(8,208)	(10,458)
Proceeds on sale of investments	5,562	4,697
Reduction to the cost of investments from a return of capital	1,104	2,177
Proceeds from sale of note receivable	100	—
Proceeds from sale of property and equipment	—	13
Acquisition of property and equipment	(127)	(196)
	(1,569)	(3,767)
By financing activities		
Net advances from credit facilities	3,980	6,813
Shares purchased for cancellation	(1,505)	(796)
Refundable dividend taxes	(195)	(338)
	2,280	5,679
INCREASE IN CASH	8	100
NET CASH – beginning of year	195	95
NET CASH – end of year	203	195
Supplemental information:		
Interest paid	978	706
Income taxes paid	394	491

1. NATURE OF OPERATIONS

The Corporation invests in marketable securities, securities from private placements and operates commercial real estate properties.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

The following are the references for the abbreviated names of the Corporation's investments – "Alberta Clipper" refers to Alberta Clipper Energy Inc.; "Ember" refers to Ember Resources Inc.; "Fort Chicago" refers to Fort Chicago Energy Partners LP; "FNX" refers to FNX Mining Company Inc.; "INV" refers to International Nickel Ventures Inc.; "Opti" refers to Opti Canada Inc.; "OSUM" refers to OSUM Oil Sands Corp. (formerly Oil Sands Underground Mining Corp.); "Pioneer" refers to Pioneer Natural Resources Company; "Royal Bank" refers to the Royal Bank of Canada; "Scotiabank" refers to The Bank of Nova Scotia; "Starbucks" refers to Starbucks Corporation, "Thunder" refers to Thunder Energy Trust.

(b) Change in Accounting Policies

Effective at February 1, 2007, the Corporation adopted the mandatory new standards issued by The Canadian Institute of Chartered Accountants in Handbook Section 1530, "Comprehensive Income"; Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3861, "Financial Instruments – Disclosure and Presentation" and Section 3865, "Hedges". The adoption of these new standards resulted in changes in the accounting and presentation of "Financial Instruments" and "Comprehensive Income" and were adopted on a prospective basis in accordance with the transitional provisions to not restate prior period balances, but to record the change in the beginning balance of Retained Earnings and the establishment of another Shareholders' Equity classification "Accumulated Other Comprehensive Income."

A new financial statement, The Statement of Comprehensive Income comprises Net Earnings (Loss) and Other Comprehensive Income, and includes all changes in equity during a period, except those resulting from investments by shareholders and distributions to shareholders. Changes in unrealized gains and losses on available-for-sale investments are recorded in Other Comprehensive Income and included in Accumulated Other Comprehensive Income until recognized in the Statement of Operations. Accumulated Other Comprehensive Income is included on the Balance Sheet as a separate component of shareholders' equity.

Prior to the adoption of these new standards, financial instruments within the scope of Section 3855 comprising of cash, investment, accounts receivables, loans receivable, accounts payable and credit facilities were recorded at cost or amortized cost. Under the new standards, financial assets must be classified as in one of the categories of held-for-trading, held to maturity, loans and receivables or available-for-sale. Financial liabilities must be classified as either held-for-trading or other financial liabilities. Initially, all financial instruments are recorded on the consolidated Balance Sheet at fair value. After initial recognition, at each period end, all financial instruments are re-measured to their fair value, except for held to maturity investments, available-for-sale assets for which fair value cannot be reliably determined, loans and receivables and other financial liabilities which are all measured at amortized cost. Any gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held-for-trading is included in the Statement of Operations for the period in which it arises. Any gain or loss arising from a change in fair value of a financial asset classified as available-for-sale is recognized in Other Comprehensive Income until the financial asset is derecognized through disposal or becomes impaired, at which time the gain or loss is reclassified to the Statement of Operations for the period. Prior to the adoption of these new standards, gains and losses were recognized in the Statement of Operations

when an investment was sold or when the carrying value of an investment was reduced to fair value when the decline in the value was considered to be other than temporary.

Fair value of financial assets that are held-for trading or that are available-for-sale is determined to be the quoted bid price in an active exchange-traded market. Purchases and sales of financial assets are recognized on the trade date. Previously, transaction costs for the purchase of investments were added to the cost of the investment and transaction costs for the sale of investments were included in the determination of the gain or loss on sale. In conjunction with the adoption of the new standards for financial instruments, the Corporation has changed its policy to recording transaction costs as an expense in the Statement of Operations for all financial instruments. The impact of the change in the accounting policy for transaction costs was not material.

The units of the Corporation's investment in the flow-through entity, Fort Chicago, that are held as collateral for the credit facility provided by the Corporation's banker and all of the units of the Corporation's investment in the flow-through entity, Thunder, have been designated as investments available-for-sale as the principal objective in holding these investments is for income and cash flow and not for gains on trading. In conjunction with the adoption of the new standards for financial instruments, the Corporation has changed its accounting policy for flow-through investments. These investments are recorded at fair value on the Balance Sheet with fair value changes recorded as Other Comprehensive Income. Cash distributions are recorded as investment income. The excess of cash distributions over the proportionate share of earnings of the investment, if any, is recorded as a reduction to the cost of the investment as a return of capital. Previously, investment income and the carrying value of the investment in flow-through entities were impacted by the Corporation's share of earnings of the investment, cash distributions and equity transactions. The application of the new accounting policies resulted in an increase to the investment asset of $5,082,000, an increase to beginning Retained Earnings of $1,296,000 net of Future Taxes of nil and an increase to beginning Accumulated Other Comprehensive Income of $3,008,000 net of Future Taxes of $778,000.

Private placement investments have been designated as investments available-for-sale but are carried at cost, as fair values cannot be reliably determined as there is no active market for these securities.

The remaining portfolio of investments has been designated as held-for-trading. These investments are recorded at fair value on the Balance Sheet with fair value changes recorded in the Statement of Operations. The application of the new accounting policy resulted in an increase to the investment asset of $2,043,000 and an increase to beginning Retained Earnings of $1,484,000 net of Future Taxes of $559,000.

Effective at January 31, 2008, the Corporation adopted the new standards issued by The Canadian Institute of Chartered Accountants in Handbook Section 3862, "Financial Instruments – Disclosures " and Section 3863, "Financial Instruments – Presentation". These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation" by revising and enhancing disclosure requirements and carrying forward presentation requirements substantially unchanged. There is increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed.

Effective at January 31, 2008, the Corporation adopted the new standards issued by The Canadian Institute of Chartered Accountants in Handbook Section 1535, "Capital Disclosures" which specifies the disclosure of the objectives, policies and processes for managing capital; quantitative information about what is regarded as capital; whether there are compliance requirements that have been met; and if compliance has not been met, what the consequences might be.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of 3440869 Canada Inc., operating as Gendis Financial, and Gendis Realty Inc., both wholly owned subsidiaries of the Corporation.

(d) Earnings per Share

Basic earnings per share are calculated using the daily weighted average number of shares outstanding during the respective fiscal years.

(e) Fair Value Estimation

Fair value for exchange-traded investments that are classified as held-for-trading or as available-for-sale are determined to be the closing quoted bid price in an active exchange-traded market. Private placement investments have been designated as investments available-for-sale and are carried at cost, as fair values cannot be reliably determined. The carrying value of receivables, accounts payable and accrued liabilities, and credit facilities approximate fair values due to their short-term maturity.

(f) Measurement Uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires the Corporation to make estimates and assumptions that affect reported amounts of assets and liabilities, revenue and expenses, and the disclosure of contingencies. Future events could alter such estimates in the near future.

The Corporation has estimated the useful lives of property and equipment and the recoverable value of property and equipment based on historical industry trends and existing competitive factors. Significant changes in these factors could result in material impairment in the reported amounts for these assets.

(g) Investments

The units of the Corporation's investment in the flow-through entity, Fort Chicago, that are held as collateral for the credit facility provided by the Corporation's banker and all of the units of the Corporation's investment in the flow-through entity, Thunder, have been designated as investments available-for-sale as the principal objective in holding these investments is for income and cash flow and not for gains on trading. These investments are recorded at fair value on the Balance Sheet with fair value changes recorded as Other Comprehensive Income. Cash distributions are recorded as investment income. The excess of cash distributions over the proportionate share of earnings of the investment, if any, is recorded as a reduction to the cost of the investment as a return of capital.

Private placement investments have been designated as investments available-for-sale and carried at cost, as fair values cannot be reliably determined as there is no active market for these securities.

The remaining portfolio of exchange-traded investments has been designated as held-for-trading. These investments are recorded at fair value on the Balance Sheet with fair value changes recorded in the Statement of Operations.

Purchases and sales of exchange-traded securities are recorded on the trade date. Transaction costs are expensed in the period incurred.

(h) Note Receivable

The note receivable is carried at the lower of amortized carrying value or net realizable value based on an assessment of the debtor's ability to make principal and interest payments.

(i) Property and Equipment and Amortization

Property and equipment are recorded at the lower of cost less accumulated amortization and the net recoverable amount.

Amortization is provided on a straight-line basis over the estimated useful life at the following annual rates:

Buildings	3%
Furniture, fixtures and equipment:	
Office	7%
Computer:	
Equipment	25%
Software	50%

The carrying value of property and equipment is assessed for impairment when the undiscounted future cash flows from its use and eventual dispositions are not sufficient to recover the asset's carrying value. An impairment loss is recognized based on the excess of the carrying amount of the real estate asset over its fair value. The determination of anticipated cash flows is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Fair value is determined based on the greater of applying a capitalization rate to the expected cash flow from the property and an expected sale value, net of selling costs of the property. The capitalization rate selected would be typical for properties of a similar type and location. Estimates of sales value are obtained from knowledgeable personnel in the real estate industry.

(j) Pension Plans

The Corporation maintains an employee contributory defined benefit pension plan and a defined contribution pension plan. All employees who meet certain eligibility requirements must participate in one of the plans.

For the defined benefit plan, pension expense is determined using the projected benefit method pro rated on service, market interest rates and management's best estimates on expected plan investment performance, salary escalation and retirement ages of plan members. A market related method is used to value plan assets for the purposes of calculating the expected return on plan assets. Under this method, the quoted market value is the underlying basis, but unrealized gains and losses are averaged over a five-year period. Cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or modified market value of the plan are amortized over the average remaining life expectancy of the members of the plan of 16 years.

For the defined contribution plan, pension expense is the Corporation's contribution to the plan.

(k) Future Income Taxes

The Corporation utilizes the liability method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

(l) Revenue Recognition

Investment income includes interest on debt securities and the proportionate share of earnings of flow-through entities, comprised of limited partnerships and income trusts. Investment income also includes the effect of the non-proportionate participation by the Corporation in the flow-through entities' capital transactions.

Real estate rental revenue includes base rent, percentage participating rents and recoveries of operating expenses, including property taxes. Percentage participating rents are recognized when specified sales targets have been met.

3. INVESTMENTS

Investments are comprised of the following:	Number of shares/units (000's) 2008	2007	Fair Value ($000's) 2008	2007	Carrying Value ($000's) 2008	2007
Available-for-sale:						
Flow-through entities:						
Fort Chicago	2,190	2,190	22,644	24,092	22,644	19,009
Thunder	—	500	—	2,655	—	2,655
Held-for-trading:						
Flow-through entities:						
Fort Chicago	154	188	1,595	2,065	1,595	1,630
Other equity investments:						
Alberta Clipper	700	600	1,540	3,240	1,540	2,323
Ember	673	655	941	1,762	941	1,762
FNX	110	65	2,920	1,163	2,920	930
INV	500	325	435	497	435	459
Opti	105	90	1,722	1,779	1,722	1,454
Pioneer	—	20	—	965	—	965
Royal Bank	15	12	760	654	760	559
Scotiabank	15	—	723	—	723	—
Starbucks	25	—	474	—	474	—
Other investments			274	43	274	43
Total exchange-traded investments			34,028	38,915	34,028	31,789
Private placement, available-for-sale:						
Equity investment:						
OSUM	1,948	713	n.a.	n.a.	4,821	1,576
Convertible debenture:						
OSUM	—	$1,000	n.a.	n.a.	—	990
Total private placement investments					4,821	2,566

(n.a. is not available)

4. NOTE RECEIVABLE

	2008 ($000's)	2007 ($000's)
Saan Stores Ltd (including accrued interest)	—	2,203

The Corporation originally advanced $2.0-million, on a secured basis, to a former subsidiary, Saan Stores Ltd. The note receivable was to be repayable $50,000 per month, principal and interest. Interest was at the prime rate as established from time to time by the Royal Bank of Canada plus 1/2%. At January 31, 2007, the interest rate was 6.5%. Saan Stores Ltd. is in breach of covenants with its primary lender. The primary lender did not permit Saan Stores Ltd. to make any payments to subordinate lenders until the breaches had been remedied and accordingly, no payments were received. The outstanding principal and interest was to be fully repaid on April 9, 2009. In December 2007, Saan Stores Ltd. filed for creditor protection under the Companies' Creditor Arrangements Act. In December 2007, the Corporation sold the note receivable plus accrued interest to the sale date for proceeds of $100,000.

5. PROPERTY AND EQUIPMENT

	Cost		Accumulated amortization		Net carrying value	
	2008 ($000's)	2007 ($000's)	2008 ($000's)	2007 ($000's)	2008 ($000's)	2007 ($000's)
Land	2,367	2,367	—	—	2,367	2,367
Buildings	16,658	16,551	8,481	8,169	8,177	8,382
Furniture, fixtures and equipment	689	763	575	603	114	160
	19,714	19,681	9,056	8,772	10,658	10,909

The net carrying value of property and equipment held for operating lease rental is $10,607,000 net of amortization of $8,551,000.

6. CREDIT FACILITIES

	Borrowing balance		Remaining borrowing availability		Carrying value of collateral	
	2008 ($000's)	2007 ($000's)	2008 ($000's)	2007 ($000's)	2008 ($000's)	2007 ($000's)
Banker's acceptances (a)	14,569	5,989				
Bank demand loan (a)	400	5,400				
Total for bank borrowing	14,969	11,389	—	655	22,644	24,092
Broker's margin account (b)	2,809	3,409	2,137	3,338	11,384	14,823
Brosco Fund Limited (c)	1,000	—	—	—	—	—
	18,778	14,798	2,137	3,993	34,028	38,915

(a) The Corporation has a revolving credit facility with its banker, The Bank of Nova Scotia, that provides for a borrowing capacity of 70% (2007 - 50%) of the market value of marketable securities lodged as collateral. The facility expires on July 31, 2008. Access to the facility may be by direct loan or by banker's acceptance of the Corporation's promissory note. The interest rate on direct loans is the prime rate plus 1.05% (2007 - the prime rate) as established from time to time by the bank. At January 31, 2008, the interest rate was 5.75% (2007 – 6.0%). The fee on banker's acceptances is 1.05% (2007 - 0.9%). The interest rate on promissory notes is determined by the prevailing market conditions. At January 31, 2008, the interest rate was 4.2% (2007 – 4.3%).

(b) The Corporation has arranged for borrowing by way of a brokerage margin account with a broker that provides for a borrowing capacity of between 25% to 70% of the market value of marketable securities eligible as collateral in the Corporation's account with the broker. The borrowing capacity rate is dependant on the price per share of a particular security and whether the security has an option market. The interest rate is the prime rate plus 1.0%. At January 31, 2008, the interest rate was 6.8% (2007 – 7.0%).

(c) During the year ended January 31, 2008, the Corporation arranged to borrow, on a revolving unsecured basis from Brosco Fund Limited, a company controlled by the Corporation's Chief Executive Officer, up to $1.0-million until January 31, 2009, with interest at prime rate as established by the Corporation's banker from time to time. At January 31, 2008, the interest rate was 5.75%

7. ACCRUED PENSION ASSET

The sponsorship of the Corporation's defined benefit pension plan ('Old Plan') was assumed by a former subsidiary of the Corporation, Saan Stores Ltd., upon the sale of the former subsidiary on December 14, 2004. Entitlements of employees and retirees of all former subsidiaries of the Corporation will remain with the Old Plan. The Corporation created and sponsors a separate defined benefit pension plan ('New Plan') for employees of Gendis Inc. and its retirees. An actuarial valuation has determined that at September 30, 2004, $1.6-million of pension benefit obligations and $1.8-million in related assets are to be transferred from the Old Plan to the New Plan. The transfer of assets to the New Plan is pending regulatory approval and accordingly, the amount of the transfer will include a proportionate share of earnings and expenses, and net of benefit payments for New Plan members made by the Old Plan from September 30, 2004 to the transfer date. At January 31, 2008, the asset transfer amount from the Old Plan to the New Plan is estimated at $1.8-million. Information on the New Plan, which includes the estimated asset transfer amount, measured at January 31, 2008 is as follows:

(a) Pension Plan Net Assets

	2008 ($000's)	2007 ($000's)
Quoted market value – beginning of year	2,030	2,014
Investment income	23	133
Employee contributions	10	4
Employer contributions	25	21
Benefits, refund of contributions and administrative expenses	(172)	(142)
Quoted market value – end of year	1,916	2,030

Investment Categories of Pension Plan Assets	2008	2007
Cash and other net assets	77%	5%
Debt securities	23%	14%
Equity securities	—	81%

(b) Pension Plan Benefit Obligations

	2008 ($000's)	2007 ($000's)
Accrued benefit obligation – beginning of year	1,891	1,630
Accrued interest on benefits	101	86
Accrued benefits	37	19
Benefits and refund of contributions	(150)	(137)
Change in assumption	—	257
Experience loss and administrative expenses	24	36
Accrued benefit obligation – end of year	1,903	1,891

The most recent actuarial valuation of accumulated pension benefits was made as at September 30, 2004 for the Old Plan and December 31, 2006 for the New Plan.

(c) Significant actuarial assumptions in measuring the Corporation's accrued benefit obligations

	2008	2007
Discount rate	5.50%	5.50%
Expected long-term rate of return on pension plan assets	5.50%	5.50%
Rate of compensation increase	4.40%	4.40%

(d) The Corporation's Accrued Pension Asset

	2008 ($000's)	2007 ($000's)
Pension Plan surplus at quoted market values	13	139
Valuation allowance	(13)	(139)
Accrued pension asset	—	—

The valuation allowance represents the amount of surplus not recognized on the Corporation's Balance Sheet .

(e) Calculation of the Corporation's Pension Expense

	2008 ($000's)	2007 ($000's)
Accrued benefits	37	19
Employee contributions	(10)	(4)
Accrued interest on benefits	101	86
Investment income – market related value	(23)	(133)
Change in assumption	—	257
Experience loss and administrative expenses	24	36
Change in valuation allowance	(126)	(245)
Pension expense from the defined benefit pension plan	3	16
Pension expense from the defined contribution pension plan	26	25
Pension expense	29	41

8. CAPITAL STOCK

(a) Authorized - The Corporation is authorized to issue an unlimited number of common shares.

(b) Common shares issued

	Number of Shares		Share Capital	
	2008	2007	2008 ($000's)	2007 ($000's)
Beginning of year	14,970,345	15,316,045	15,736	16,100
Less shares purchased for cancellation	705,359	345,700	741	364
End of year	14,264,986	14,970,345	14,995	15,736

During the year ended January 31, 2008, under Normal Course Issuer Bids, 705,300 (2007 - 345,700) common shares were purchased for cancellation for $1,505,000 (2007 - $796,000). Additionally, fractional shares equating to 59 equivalent shares were cancelled. Share capital was reduced by $741,000 (2007 - $364,000) and the residual premium over the stated value of the share capital of $764,000 (2007 - $432,000) was applied as a reduction to Retained Earnings. Commencing January 14, 2008, the Corporation intends to purchase for cancellation up to 714,434 of its Common shares under a Normal Course Issuer Bid until expiry on January 13, 2009. The previous Normal Course Issuer Bid expired on January 9, 2008.

(c) At January 31, 2008, the refundable dividend tax on hand was $612,000 (2007 – $534,000).

(d) Loss per share

	2008 ($000's)	2007 ($000's)
Numerator – Net loss for the year	5,089	33,172
Denominator – Weighted average number of shares outstanding	14,641	15,194

9. INCOME TAXES

(a) Income taxes on earnings (losses) vary from the amounts that would be computed by applying the combined federal and provincial statutory income tax rates to the earnings (losses) before income tax. The following is a reconciliation of the combined statutory income tax to the effective income tax:

	2008 ($000's)	2007 ($000's)
Statutory income taxes at 33.0% (2007 – 32.9%)	(2,150)	(1,349)
Non-deductible or taxable portion of capital gains or losses, investment income	131	149
Change in income tax rates	607	585
Limitation of deductible amounts	4	3
Foreign withholding taxes	199	153
Change in valuation allowance and other items	(229)	1,170
	(1,438)	711
Write-off of deposit on income tax assessment	—	28,361
Income tax provision (recovery)	(1,438)	29,072

During the year ended January 26, 2002, the Corporation received Notices of Re-assessment levying additional income taxes and interest on the sale by the Corporation of shares of Sony of Canada Ltd. in 1995. The Corporation paid the entire amount of the income taxes and interest in the amount of $28.4-million in that year. The Corporation has filed a Notice of Objection with the Canada Revenue Agency. Due to uncertainty of the outcome, the Deposit on Income Tax Assessment of $28.4-million was written-off during the year ended January 31, 2007. On October 3, 2007, the Canada Revenue Agency confirmed these re-assessments after the Supreme Court of Canada refused to grant the Corporation's Leave to Appeal on jurisdictional grounds. The merits of the Corporation's position have been evaluated in consultation with legal counsel and the Corporation will continue to pursue the re-assessments on substantive grounds. On December 27, 2007, the Corporation filed a Notice of Appeal in Manitoba Court of Queen's Bench to void the re-assessments. The Minister of National Revenue for Canada filed a Reply to the Notice of Appeal on February 22, 2008. If the Corporation is successful in pursuit of this matter, this amount plus additional interest will be refunded and would be recorded in the year of settlement.

(b) At January 31, 2008, the Corporation has net capital losses of $4.1-million that may be applied against taxable capital gains indefinitely in the future. The Corporation also has $6.6-million of non-capital losses that are subject to expiry as follows:

Expiry date	Non capital loss ($000's)
2014	3,186
2015	37
2026	699
2027	519
2028	2,168

(c) Future income tax assets (liabilities) are comprised as follows:

	2008 ($000's)	2007 ($000's)
Non capital losses	2,599	1,367
Capital losses	1,127	23
Property and equipment	849	989
Investments	788	2,925
Other items	152	182
	5,515	5,486
Valuation allowance	(2,918)	(3,189)
	2,597	2,297

10. SEGMENT INFORMATION

The Corporation has identified two reportable segments - Realty and Corporate. At January 31, 2008, the Realty segment consists of eight commercial retail properties with an area for lease of 104,000 sq. ft. and one facility complex of 379,000 sq. ft. Approximately 49% of the total leaseable area is vacant, primarily in the facility complex. The Corporate segment is primarily involved in investing in equity securities, sourcing external capital to meet the Corporation's capital requirements and providing capital to the Realty Segment. All revenues and operating expenses pertain exclusively to Canada. Intersegment revenue and expense is rent, management fees and interest.

	Year Ended	Realty	Corporate	Intersegment Elimination	Total
Revenue	2008	1,648	1,737	(223)	3,162
	2007	1,041	1,480	(253)	2,268
Expenses & amortization	2008	1,624	1,676	(181)	3,119
	2007	1,744	1,550	(181)	3,113
Interest	2008	42	945	(42)	945
	2007	72	720	(72)	720
Gain (loss) on sale of investments, note receivable, property and equipment	2008	—	(1,824)	—	(1,824)
	2007	(7)	772	—	765
Market value change and provision for loss on investments	2008	—	(3,801)	—	(3,801)
	2007	—	(3,300)	—	(3,300)
Recovery of (provision for) income taxes	2008	6	1,432	—	1,438
	2007	234	(29,306)	—	(29,072)
Net loss for the year	2008	12	5,077	—	5,089
	2007	548	32,624	—	33,172
Acquisition of property and equipment	2008	117	10	—	127
	2007	158	38	—	196
Total Assets	2008	12,046	49,450	(8,660)	52,836
	2007	12,417	39,278	(976)	50,719

11. RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks such as market risk (which includes currency risk, fair value interest rate risk and other price risk), credit risk, and liquidity risk. The Corporation's overall risk management process focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is conducted by the Corporation's four executive officers and its investment manager under guidance by the Corporation's Board of Directors. The Corporation has an informal risk assessment process. Due to the small size of the Corporation, there is ample opportunity to formally and informally discuss items of importance between the executive officers and the four directors of the Board who are not executive officers of the Corporation. Risk concerns are identified, assessed and courses of action are taken on an ad-hoc basis. Accordingly, written policies for overall risk management or for specific risk areas are not considered necessary.

(a) Market Risk

(i) Currency Risk

The Corporation is directly exposed to currency risk on its held-for-trading investments that are traded on a US stock exchange or where a significant portion of the investment's debt financing is US dollar denominated. The Corporation is indirectly exposed to currency risk on its investments that operate in the oil & gas and mining resource sectors where the functional currency of the resource is denominated in US dollars.

The values of the Corporation's investments that are traded on a US stock exchange are not significant and accordingly, a currency risk management practice is not conducted.

For the Corporation's exchange-traded investments that are classified as held-for-trading or as available-for-sale that are in US dollar denominated, the impact on pre-tax earnings, based on the assumption that the US currency had increased or decreased by 10% with all other variables held constant and that all the Corporation's equity instruments in that particular index moved proportionately, is not significant.

The Corporation's indirect exposure to currency risk on investments (primarily Fort Chicago) with US dollar denominated debt or investments, (Fort Chicago and investments that operate in the oil & gas and mining resource sectors) whose operations subject them to exposure to currency risk is managed in combination with the Corporation's process in managing other price risk.

(ii) Fair Value Interest Rate Risk

At January 31, 2008, the Corporation has no significant interest bearing assets.

For the Corporation's interest bearing assets, the impact on pre-tax earnings, based on the assumption that the prime rate of interest increased or decreased by 1% with all other variables held constant, is not significant.

The Corporation's investment in Fort Chicago is an indirect exposure to fair value interest rate risk. The market price of Fort Chicago is sensitive to interest rate movement as the cash distribution is considered analogous by investors to an interest rate yield and accordingly, the market price of the security could be affected in an inverse relation to an interest rate change. The Corporation's exposure to fair value interest rate risk is managed in combination with the Corporation's process in managing other price risk.

(iii) Other Price Risk

The Corporation is exposed to other price risk on its investments that are classified as held-for-trading, as available-for-sale or on a cost basis (private companies). The Corporation is indirectly exposed to commodity risk on its investments that operate in the oil & gas and mining resource sectors.

To manage other price risk, the Corporation's Investment Committee monitors market prices of exchange-traded securities throughout the trading day using computer software linked into stock

exchanges' stock quote systems. For exchange-traded securities and investments in private companies, the Corporation's Investment Committee also monitors news wire services, websites of the investee companies and has periodic oral communication with senior officers of the investee companies.

For the Corporation's exchange-traded investments that are classified as held-for-trading or as available-for-sale that are traded on the TSX and the NYSE, the impact on pre-tax earnings, based on the assumption that the S&P/TSX equity index had increased or decreased by 10% with all other variables held constant and that all the Corporation's equity instruments in that particular index moved proportionately, is $1.1-million. Pre-tax earnings would change on equity investments classified as held-for-trading. The impact on pre-tax other comprehensive income based on the above assumption is $2.3-million. Pre-tax other comprehensive income would change on equity investments classified as available-for-sale.

(b) Credit Risk

The Corporation has significant concentrations of credit risk from tenants in its Realty segment. The Corporation has three tenants that comprise 45% of consolidated revenue. The Corporation is in communication with any tenant that is in arrears to assess collection concerns. At January 31, 2008, one of these tenants, Saan Stores Ltd, (10%) is under creditor protection. This tenant occupies eight of the Corporation's commercial retail units and one sub-let location. The Corporation monitors the tenant's Court appointed Monitor's website for adverse developments. One of the tenants (15%) is a publicly traded entity. The Corporation monitors this tenant's statutory filings to assess credit worthiness. One of the tenants (20%) is a provincial crown corporation and accordingly, credit worthiness is not considered a concern. When the collection of a receivable is considered impaired, a provision is recorded to establish a net expected collection amount.

(c) Liquidity Risk

The Corporation's liquidity risk management involves:

(i) monitoring the changes in the exchange-traded market prices of its marketable securities portfolio, which represents approximately 65% of the Corporation's total assets;
(ii) maintaining an availability of funding through committed credit facilities, which represents approximately 35% of the Corporation's total assets;
(iii) investing in securities that provide cash flow from distributions and dividends;
(iv) securing long term leases with tenants for its realty properties.

The borrowing capacity of the Corporation's credit facilities with its banker is 70% of the market value of the marketable security, Fort Chicago, lodged as collateral. Borrowing by way of a brokerage margin account provides for a borrowing capacity of 25% to 70% of the market value of other marketable securities eligible as collateral in the Corporation's account with the broker. The borrowing capacity rate is dependant on the price per share of a particular security and whether the security has an option market. The Corporation has also arranged to borrow up to $1-million on a revolving unsecured basis from Brosco Fund Limited, a company controlled by the Corporation's Chief Executive Officer. At January 31, 2008, the borrowing availability under all credit facilities was $2.1-million. A decline of 10% in the price of all exchange-traded securities would result in a reduction in borrowing availability of $1.2-million.

The Corporation has maintained a substantial core holding of the investment in Fort Chicago, a flow-through entity. Fort Chicago provides the Corporation with cash flow from regular monthly distributions that cover approximately 60% the Corporation's operating cash expenses (i.e. excluding amortization) and interest. As cash is required to settle liabilities or fund operations, the Corporation's policy is to borrow against available credit lines or sell marketable securities.

The Corporation is exposed to interest rate risk from borrowings at variable interest rates. The Corporation's borrowings consist of banker's acceptances typically issued at 35-day maturities, revolving loans with its banker, a broker's margin account and a revolving loan with a related party. At January 31, 2008, if interest rates changed by 1%, the Corporation's pre-tax earnings would change by $0.2-million. The Corporation considers the level of exposure to interest rate risk to be low and accordingly, the Corporation does not have a policy to manage interest rate risk from borrowings at variable interest rates.

12. CAPITAL MANAGEMENT

The Corporation defines its capital to be the aggregate of its share capital, retained earnings, accumulated other comprehensive income and credit facilities. The Corporation's Corporate segment manages the overall capital of the organization, including sourcing, collateral encumbrances and allocations of capital to the other business unit, the Realty segment. Capital for the Realty segment is reset annually to establish inter-segment debt at 70% of total assets to mirror what Management considers as a typical debt financing for commercial real estate ventures.

The Corporation's objectives for Capital Management are to maintain credit facilities to support the level of asset investment to generate income and capital appreciation; to support the Corporation's share price on the stock exchange by buying back shares through a normal course issuer bid process when prices are substantially below a value ascribed by the Corporation's Chief Executive Officer, and establishing a dividend policy.

The Corporation has complied with externally imposed capital requirements during the years ended January 31, 2007 and January 31, 2008. The externally imposed capital requirements primarily consist of ensuring the margin threshold has not been exceeded and that the lender has received quarterly and annual financial statements on a timely basis. To meet margin requirements, market prices of the collateralized securities are monitored throughout the day. If the margin threshold is anticipated to be exceeded, the loan is repaid by sourcing funds from the Corporation's other credit facilities or from proceeds from selling securities.

The Board of Directors reviews and sets the maximum borrowing levels on an ad-hoc basis as liquidity requirements and investment buying opportunities arise. At January 31, 2008, the maximum amount of borrowing for investment purposes is set at $20-million. At January 31, 2008, the Corporation implemented a policy to define the capital base of its real estate segment in conjunction with adopting new standards issued by The Canadian Institute of Chartered Accountants in Handbook Section 1535, "Capital Disclosures".

13. COMMITMENTS AND CONTINGENCIES

(a) At January 31, 2008, there is one (2007 – 3) location where the Corporation has the primary obligation under a property lease, with a former subsidiary corporation being a sub-tenant of the Corporation. The Corporation has not accrued an amount for future lease costs as the Corporation expects to derive future benefits from this lease should the sub-lessor repudiate their commitments. Minimum annual rentals (exclusive of additional amounts based on percentage of sales, but inclusive of taxes, insurance and other occupancy charges) on long-term operating property leases, the longest of which will expire in the fiscal year ending 2010 are detailed below.

Other minimum lease payments are as follows:

Year ending January	Property Leases ($000's)	Other Leases & Commitments ($000's)
2009	154	38
2010	154	38
2011	—	30
2012	—	20
2013	—	13
thereafter	—	60
Total future minimum payments		199
Less imputed interest at 5.4%		33
Present value of minimum payments		166

(b) In connection with the disposition of the investment of a former subsidiary of the Corporation and real estate assets, the Corporation has provided customary representations and warranties that range in duration. In addition, as is customary, the Corporation has agreed to indemnify the buyers of certain assets in respect

of certain liabilities pertaining to events occurring prior to the respective sales relating to taxation, environmental, litigation and other matters. The Corporation is unable to estimate the maximum potential liability for these indemnifications as the underlying agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined.

(c) Subsequent to the Corporation selling its investment in Saan Stores Ltd. on December 16, 2004, Saan Stores Ltd. filed for creditor protection under the Companies' Creditor Arrangements Act and subsequent to that, obtained a stay of proceedings under the Bankruptcy and Insolvency Act. On March 17, 2005, a buying agent and importer to Saan Stores Ltd., filed a Statement of Claim in the Ontario Superior Court of Justice for $18-million against the Corporation and certain of its officers and directors. The buying agent and importer allege to have suffered damages by reason of wrongful and oppressive conduct. The supplier also alleges misrepresentation and breach of fiduciary duties. In a Decision released December 29, 2005, the Ontario Superior Court of Justice found that Ontario was not a convenient forum for the hearing of this matter. The buying agent and importer have commenced proceedings in the Manitoba Court of Queen's Bench. The Statement of Claim and the Statement of Defense have been filed and the Corporation has filed a Notice of Summary Judgment to have the claim dismissed.

On April 21, 2005, two suppliers to Saan Stores Ltd. served a Statement of Claim in Manitoba Court of Queen's Bench that named the Corporation and its directors as defendants, for $1.1-million and $1.3-million respectively for amounts said to be owed and unpaid by a former subsidiary of the Corporation. The suppliers also claim general damages and punitive damages, and damages arising from alleged misrepresentation and breach of fiduciary duties. On December 13, 2005, the Manitoba Court of Queen's Bench ordered that the law firm acting for the two suppliers be removed as solicitors of record for the plaintiffs in these proceedings. The two suppliers appealed the decision to the Manitoba Court of Appeal which subsequently upheld the lower court's decision. The claimant retained new lawyers. The Corporation filed a Statement of Defense on January 30, 2007.

The Corporation considers that these claims are without merit and accordingly, a provision for settlement has not been recorded. The Corporation is also involved in various other legal matters. The resolution of these other matters is not expected to have a material adverse effect on the Corporation's financial position, results of operations or cash flows.

(d) The Corporation has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to counter parties. For claims for the period prior to January 31, 2005, the Corporation has $15-million in directors' and officers' liability insurance coverage. For claims for the period to January 31, 2005 to January 28, 2006, the Corporation has $1-million in directors' and officers' liability insurance coverage. For claims subsequent to January 28, 2006, the Corporation decided to self-insure.

14. SUBSEQUENT EVENT

(a) Subsequent to the year ended January 31, 2008, the Corporation purchased and cancelled 32,300 of its Commons shares for $63,000.

(c) Subsequent to the year ended January 31, 2008, the Corporation committed $1.9-million for alterations to its facility complex in preparation for a future tenancy.

CORPORATE & SHAREHOLDER INFORMATION

GENDIS INC. BOARD OF DIRECTORS

Albert D. Cohen, O.C., LL.D
President, Chief Executive Officer and Chairman
Gendis Inc.

James E. Cohen
Executive Vice-President
Gendis Inc.

Robert M. Chipman
Chairman
National Leasing Group

Jerry L. Gray, Ph. D
Dean Emeritus, I.H. Asper School of Business
University of Manitoba

Lawrence O. Pollard
Chairman
Pollard Banknote Limited

Gordon B. Webster, FCA
Corporate Director

GENDIS INC. CORPORATE OFFICERS

Albert D. Cohen, O.C., LL.D
President, Chief Executive Officer and Chairman

James E. Cohen
Executive Vice-President

N. Paul Cloutier
Vice-President, Secretary & General Counsel

Ernest B. Reinfort, CA
Vice-President, Finance & Comptroller

SHAREHOLDER INFORMATION

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